



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
BOONE COUNTY  
SHERIFF'S SETTLEMENT - 1999 TAXES**

**August 1, 2000**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **BOONE COUNTY MIKE HELMIG, SHERIFF SHERIFF'S SETTLEMENT - 1999 TAXES AUGUST 1, 2000**

The Auditor of Public Accounts has completed the audit of the Boone County Sheriff's Settlement - 1999 Taxes as of August 1, 2000. The audit report is based on audit fieldwork completed on October 2, 2000. This executive summary emphasizes the most important parts of our audit.

#### **Reports Issued:**

##### **Independent Auditor's Report**

- In our opinion, the financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Sheriff for the year ended December 31, 1999.

##### **Report On Compliance And On Internal Control**

No instances of noncompliance were reported. A reportable condition was noted which the auditor considers to be a material weakness.

- The Sheriff's Office Has A Lack Of Adequate Segregation Of Duties

#### **Notes To Financial Statements:**

##### **Note 5. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed**

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. For the 1999 taxes, the Sheriff had \$4,920 in unrefundable duplicate payments and unexplained receipts.



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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor  
Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Gary W. Moore, Boone County Judge/Executive  
Honorable Mike Helmig, Boone County Sheriff  
Members of the Boone County Fiscal Court

Independent Auditor's Report

We have audited the Boone County Sheriff's Settlement - 1999 Taxes as of August 1, 2000. This tax settlement is the responsibility of the Boone County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted Government Auditing Standards and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Boone County Sheriff's taxes charged, credited, and paid as of August 1, 2000, in conformity with the basis of accounting described in the preceding paragraph.

In accordance with Government Auditing Standards, we have also issued a report dated October 2, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
October 2, 2000





BOONE COUNTY  
MIKE HELMIG, SHERIFF  
SHERIFF'S SETTLEMENT - 1999 TAXES

August 1, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 4,925,952	\$ 6,781,829	\$ 20,059,484	\$ 6,631,758
Tangible Personal Property	1,480,234	1,855,460	4,144,183	2,605,571
Intangible Personal Property				747,900
Current Year Franchise Corporation	841,239	1,150,769	2,630,445	
Prior Years Franchise Corporation	31,395	44,461	90,638	
Additional Billing	772,031	1,113,730	2,137,976	43,687
Limestone, Sand, and Gravel	739	1,099	2,894	994
Omitted Taxes	747	1,150	5,253	989
Increased Through Erroneous Assessments	124,368	189,853	376,155	355,787
Penalties	23,491	34,059	116,268	32,685
Adjusted to Sheriff's Receipt	1	38	22	6
Gross Chargeable to Sheriff	<u>\$ 8,200,197</u>	<u>\$ 11,172,448</u>	<u>\$ 29,563,318</u>	<u>\$ 10,419,377</u>
<u>Credits</u>				
Discounts	\$ 107,047	\$ 143,188	\$ 403,177	\$ 169,929
Exonerations	198,953	289,560	588,014	252,431
Delinquents:				
Real Estate	47,758	67,401	200,554	64,256
Tangible Personal Property	23,763	28,902	56,947	38,419
Intangible Personal Property				2,406
Current Year Uncollected Franchise	7,587	10,725	21,572	
Prior Years Uncollected Franchise	3,360	4,688	9,325	
Additional Billing Uncollected	15,977	25,042	43,497	21,021
Total Credits	<u>\$ 404,445</u>	<u>\$ 569,506</u>	<u>\$ 1,323,086</u>	<u>\$ 548,462</u>
Net Tax Yield	\$ 7,795,752	\$ 10,602,942	\$ 28,240,232	\$ 9,870,915
Less: Commissions (a)	<u>331,607</u>	<u>302,457</u>	<u>564,805</u>	<u>419,801</u>
Net Taxes Due	\$ 7,464,145	\$ 10,300,485	\$ 27,675,427	\$ 9,451,114
Taxes Paid	7,436,829	10,261,131	27,592,152	9,415,599
Refunds (Current and Prior Year)	<u>27,740</u>	<u>40,059</u>	<u>84,829</u>	<u>36,482</u>
Due Districts or (Refunds Due Sheriff) as of Completion of Fieldwork	<u>\$ (424)</u>	<u>\$ (705)</u>	<u>\$ (1,554)</u>	<u>\$ (967)</u>

(a), (b), and (c) See Page 4

BOONE COUNTY  
 MIKE HELMIG, SHERIFF  
 SHERIFF'S SETTLEMENT - 1999 TAXES  
 August 1, 2000  
 (Continued)

(a) Commissions:

10% on	\$	10,000
4.25% on	\$	23,700,584
2% on	\$	28,240,232
1% on	\$	4,559,025

(b) Special Taxing Districts:

Library District	\$	(102)
Health District		(73)
Extension District		(77)
Union Ambulance District		(2)
Bellevue Fire District		14
Hebron Fire District		(64)
Union Fire District		(2)
Burlington Fire District		79
Pt. Pleasant Fire District		(48)
Verona Fire District		(162)
Florence Fire District		(268)

Due Districts or (Refunds Due Sheriff)	\$	<u>(705)</u>
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(c) Common School District	\$	<u>(1,554)</u>
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BOONE COUNTY  
NOTES TO FINANCIAL STATEMENT

August 1, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of August 1, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

BOONE COUNTY  
NOTES TO FINANCIAL STATEMENT  
August 1, 2000  
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1999. Property taxes were billed to finance governmental services for the year ended June 30, 2000. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 4, 1999 through March 31, 2000.

Note 4. Interest Income

The Boone County Sheriff earned \$92,345 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 1999 taxes, the Sheriff had \$4,920 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





## Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Gary W. Moore, Boone County Judge/Executive  
Honorable Mike Helmig, Boone County Sheriff  
Members of the Boone County Fiscal Court

### Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the Boone County Sheriff's Settlement - 1999 Taxes as of August 1, 2000, and have issued our report thereon dated October 2, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Boone County Sheriff's Settlement - 1999 Taxes as of August 1, 2000 is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Boone County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Boone County Sheriff's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement.

We concluded that the internal control structure lacks a proper segregation of duties. Due to the entity's diversity of operations, small size, and budget restrictions, there is a limited staff size, which prevents an adequate segregation of duties. The Sheriff has statutory authority to assume the role of custodian of monetary assets, as well as recorder of transactions and preparer of financial statements. However, the lack of segregation of duties is hereby noted as a reportable condition.

Honorable Gary W. Moore, Boone County Judge/Executive  
Honorable Mike Helmig, Boone County Sheriff  
Members of the Boone County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
October 2, 2000



